

UNITED WAY COMMUNITY SERVICES, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2005 and 2004

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
United Way Community Services, Inc.

We have audited the accompanying statements of financial position of United Way Community Services, Inc. (a nonprofit organization) as of June 30, 2005 and 2004, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the United Way Community Services, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way Community Services, Inc. as of June 30, 2005 and 2004, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2005, on our consideration of United Way Community Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Squire & Company, PC

July 22, 2005

UNITED WAY COMMUNITY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2005 and 2004

	2005	2004
ASSETS		
Current Assets:		
Cash	\$ 33,473	\$ 24,361
Accounts and funding receivable	168,078	192,465
Prepaid expenses	25,388	39,614
Total current assets	226,939	256,440
Fixed Assets:		
Furniture and equipment	80,624	80,624
Vehicles	849,098	817,860
Accumulated depreciation	(522,812)	(494,283)
Net fixed assets	406,910	404,201
Total assets	<u>\$ 633,849</u>	<u>\$ 660,641</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 47,657	\$ 50,482
Note payable – Utah Transit Authority	-	20,000
Due to United Way of Central and Southern Utah	187,430	181,872
Accrued compensated absences	13,338	16,995
Total current liabilities	248,425	269,349
Unrestricted Net Assets	385,424	391,292
Total liabilities and net assets	<u>\$ 633,849</u>	<u>\$ 660,641</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY COMMUNITY SERVICES, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2005 and 2004

	2005	2004
Changes in Unrestricted Net Assets:		
Revenues and Support:		
Transportation services:		
Utah Transit Authority funding	\$ 1,541,632	\$ 1,793,433
Service provider contracts	143,271	135,823
Agency services	70,178	73,992
Rider fares	17,354	22,291
In-kind donations	67,910	301,964
	<u>1,840,345</u>	<u>2,327,503</u>
Other revenues	523	695
Gain on sale of fixed assets	2,150	985
	<u>2,150</u>	<u>985</u>
Total revenues and support	1,843,018	2,329,183
Expenses:		
Program services:		
Paratransit program services	1,763,846	2,007,987
Supporting services:		
General and administrative	85,040	110,492
	<u>85,040</u>	<u>110,492</u>
Total expenses	1,848,886	2,118,479
	<u>1,848,886</u>	<u>2,118,479</u>
Change in Net Assets	(5,868)	210,704
Net Assets at Beginning of Year	391,292	180,588
	<u>391,292</u>	<u>180,588</u>
Net Assets at End of Year	<u>\$ 385,424</u>	<u>\$ 391,292</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY COMMUNITY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2005

	Paratransit Program Services	General and Administrative	Total
Salaries and wages	\$ 747,866	\$ 42,277	\$ 790,143
Employee benefits	88,909	18,711	107,620
Unemployment insurance	297	-	297
Payroll taxes	57,211	3,514	60,725
Total personnel expenses	894,283	64,502	958,785
Bad debt	2	-	2
Conferences and training	1,510	1,552	3,062
Dues and subscriptions	957	107	1,064
Liability insurance	4,700	-	4,700
Occupancy costs	35,029	2,151	37,180
Repairs and maintenance	5,016	308	5,324
Postage	75	-	75
Printing and copying	2,926	-	2,926
Professional fees	-	7,385	7,385
Rewards	7,842	-	7,842
Supplies	3,056	187	3,243
Telephone	5,326	327	5,653
Travel and meals	1,779	1,528	3,307
Vehicle expense	601,244	-	601,244
Management/support services	94,221	5,787	100,008
Miscellaneous	-	972	972
Total before depreciation	1,657,966	84,806	1,742,772
Depreciation	105,880	234	106,114
Total functional expenses	<u>\$ 1,763,846</u>	<u>\$ 85,040</u>	<u>\$ 1,848,886</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY COMMUNITY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2004

	Paratransit Program Services	General and Administrative	Total
Salaries and wages	\$ 909,507	\$ 63,613	\$ 973,120
Employee benefits	102,058	20,679	122,737
Unemployment insurance	2,922	-	2,922
Payroll taxes	69,624	4,870	74,494
Total personnel expenses	1,084,111	89,162	1,173,273
Bad debt	447	-	447
Conferences and training	1,124	545	1,669
Dues and subscriptions	791	-	791
Liability insurance	830	58	888
Occupancy costs	37,480	2,621	40,101
Repairs and maintenance	5,902	412	6,314
Postage	641	-	641
Printing and copying	1,803	7	1,810
Professional fees	-	7,608	7,608
Rewards	4,090	-	4,090
Supplies	4,799	336	5,135
Telephone	6,180	432	6,612
Travel and meals	2,313	1,522	3,835
Vehicle expense	687,644	-	687,644
Management/support services	93,470	6,538	100,008
Miscellaneous	-	838	838
Total before depreciation	1,931,625	110,079	2,041,704
Depreciation	76,362	413	76,775
Total functional expenses	<u>\$ 2,007,987</u>	<u>\$ 110,492</u>	<u>\$ 2,118,479</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY COMMUNITY SERVICES, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2005 and 2004

	2005	2004
Cash Flows from Operating Activities:		
Change in net assets	\$ (5,868)	\$ 210,704
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	106,114	76,775
Gain on sale of fixed assets	(2,150)	(984)
In-kind donation of equipment	(67,910)	(301,964)
(Increase) decrease in operating assets:		
Accounts and funding receivable	24,387	(27,237)
Prepaid expenses	14,226	(2,746)
Increase (decrease) in operating liabilities:		
Accounts payable	(2,825)	(5,611)
Due to United Way of Central and Southern Utah	5,558	117,009
Accrued compensated absences	(3,657)	(646)
Net cash provided by operating activities	67,875	65,300
Cash Flows from Investing Activities:		
Proceeds from sale of equipment	2,150	985
Acquisition of equipment	(40,913)	(84,851)
Net cash consumed by investing activities	(38,763)	(83,866)
Cash Flows from Financing Activities:		
Repayment of note payable - Utah Transit Authority	(20,000)	-
Net Change in Cash	9,112	(18,566)
Cash at Beginning of Year	24,361	42,927
Cash at End of Year	\$ 33,473	\$ 24,361

Supplementary Disclosure:

During the years ended June 30, 2005 and 2004, the Organization received in-kind donations of \$67,910 and \$301,964, respectively, constituting 80 percent of the market value of vehicles purchased.

The Organization paid no interest or income taxes for the years ended June 30, 2005 and 2004.

The accompanying notes are an integral part of these financial statements.

UNITED WAY COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of United Way Community Services, Inc. (the Organization) have been prepared on the accrual method of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Organization – The Organization provides transportation services for disabled persons and senior citizens throughout Utah County as well as facilitates community programs, services, and partnerships that strengthen the community.

The Organization is exempt from federal income taxes under Internal Revenue Code section 501(a) and is classified as a section 501(c)(3) public charity.

Revenue Recognition – Revenue from grants and contracts are recognized in the period in which approved expenses are incurred or when services have been performed. No allowance for doubtful accounts has been established. Management believes all amounts are collectible.

Donated Services – No amounts have been reflected in the statements for donated services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the Organization.

Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Cash – Cash consists of deposits with various financial institutions.

Prepaid Expenses – Prepaid expenses consist of amounts paid for which the benefit extends beyond the current period. Prepaid expenses include insurance premiums and rent.

Fixed Assets – Equipment and vehicles are carried at cost or, if donated, at fair market value at the date of donation. Depreciation is computed on a straight-line basis over three to ten years.

Accounting Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2. Economic Dependence

The Organization receives a substantial portion of its revenue from service-provider contracts and grants. Revenue from these contracts and grants is dependent upon the funding policies of the contractors and grantors and, as such, can be adjusted at any time. The Organization operated without a contract with UTA for the year ended June 30, 2005. No contract terms have yet been agreed upon for the fiscal year 2006.

UNITED WAY COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

Note 3. Related Party Transactions

The Organization is related to United Way of Central and Southern Utah (United Way) through common control, as one Board of Trustees governs both agencies. As of June 30, 2005 and 2004, the Organization owed United Way \$187,391 and \$181,872, respectively.

During the year ended June 30, 2002, the Board of Directors approved a management fee to be charged the Organization by United Way for administrative services. The management fee amount for the years ended June 30, 2005 and 2004, was \$100,008.

Note 4. Retirement Plan

A defined contribution plan is provided for all qualified employees who have been with the Organization for one or more years. The Organization contributes 5 percent of qualified employees' gross earnings to the plan. In addition, the Organization matches 50 percent of the first 6 percent of employee contributions. The Organization contributions for the years ended June 30, 2005 and 2004, were \$33,296 and \$34,457, respectively.

Note 5. Functional Expense Allocations

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 6. Use of Vehicles at No Charge

The Organization does not have title to all of the vehicles in its use. Some of the vehicles used by the Organization are owned by Utah Transit Authority (UTA) and are not listed as assets by the Organization. Management has estimated the fair lease value of the vehicles provided to the Organization at no cost by UTA and recorded that amount as revenue in the Statements of Activities and as an expense in the Statements of Functional Expenses. For the years ended June 30, 2005 and 2004, the value of these contributions was \$151,200 and \$226,800, respectively.

Note 7. Leases

The Organization subleases a portion of the building leased by Community Action Services from United Way. Lease expense for the years ending June 30, 2005 and 2004, was \$31,180 and \$31,200, respectively. The lease agreement is for five years ending December 2005 with options to renew thereafter.

Note 8. Utah Transit Authority Loan

To provide working capital to the Organization, Utah Transit Authority provided the Organization an interest-free \$20,000 loan. This loan was secured by the UTA contract entered into January 1, 1996 and future grant agreements. The Organization repaid this loan to UTA during the year ended June 30, 2005.

OTHER INFORMATION



**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Board of Trustees
United Way Community Services, Inc.

We have audited the financial statements of United Way Community Services, Inc. (a nonprofit organization) as of and for the year ended June 30, 2005, and have issued our report thereon dated July 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered United Way Community Services, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether United Way Community Services, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Trustees, management, and applicable granting agencies and is not intended to be and should not be used by anyone other than these specified users.

Squire & Company, PC

July 22, 2005